

RESOLUTION NO. _____

**A RESOLUTION OF THE COUNCIL OF THE CITY OF
SAN JOSE IMPLEMENTING CHANGES TO THE RETIREE
HEALTHCARE FUNDING PHASE-IN FOR THE BARGAINING
UNITS REPRESENTING EMPLOYEES IN THE 1975
FEDERATED EMPLOYEES RETIREMENT PLAN AND
MODIFICATIONS FOR EMPLOYEES IN UNIT 99, EFFECTIVE
JUNE 21, 2015**

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SAN JOSE:

1. Approve the terms of agreements with the bargaining units listed below that would modify retiree healthcare funding effective June 21, 2015 by extending current retiree healthcare contribution rates through December 20, 2015, and authorize the City Manager to execute said agreements, pending ratification by their memberships:
 - a. Association of Building, Mechanical and Electrical Inspectors (ABMEI);
 - b. Association of Engineers and Architects, IFPTE Local 21 (AEA Units 41/42 and 43);
 - c. Association of Legal Professionals (ALP);
 - d. Association of Maintenance Supervisory Personnel, IFPTE Local 21 (AMSP);
 - e. City Association of Management Personnel, IFPTE Local 21 (CAMP);
 - f. Confidential Employees' Organization, AFSCME Local 101 (CEO);
 - g. International Brotherhood of Electrical Workers, Local No. 332 (IBEW);
 - h. Municipal Employees' Federation, AFSCME Local 101 (MEF); and
 - i. International Union of Operating Engineers, Local 3 (OE#3).
2. Approve the modifications to the retiree healthcare funding phase-in for Executive Management and Professional Employees (Unit 99) effective June 21, 2015, to extend the current retiree healthcare contribution rates through December 20, 2015.

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3. The terms of the agreements with the foregoing list of bargaining units are set out and described in the Memorandum to the Honorable Mayor and City Council from Interim City Manager, Norberto Dueñas, dated May 1, 2015, and attached hereto as Attachment A and incorporated in this Resolution.

ADOPTED this ____ day of _____, 2015, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

SAM LICCARDO
Mayor

ATTEST:

TONI J. TABER, CMC
City Clerk

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Norberto L. Dueñas

SUBJECT: SEE BELOW

DATE: May 1, 2015

SUBJECT: IMPLEMENTATION OF CHANGES TO RETIREE HEALTHCARE FUNDING FOR THE BARGAINING UNITS REPRESENTING EMPLOYEES IN THE FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM AND MODIFICATIONS FOR EMPLOYEES IN UNIT 99

RECOMMENDATION

Adopt a resolution to provide as follows:

- (a) Approve the terms of agreements (attached) with the bargaining units listed below that would modify retiree healthcare funding effective June 21, 2015, by extending current retiree healthcare contribution rates until December 20, 2015, and authorize the City Manager to execute said agreements, pending ratification by their memberships:
- (1) Association of Building, Mechanical and Electrical Inspectors (ABMEI)
 - (2) Association of Engineers and Architects, IFPTE Local 21 (AEA Units 41/42 and 43)
 - (3) Association of Legal Professionals (ALP)
 - (4) Association of Maintenance Supervisory Personnel, IFPTE Local 21 (AMSP)
 - (5) City Association of Management Personnel, IFPTE Local 21 (CAMP)
 - (6) Confidential Employees' Organization, AFSCME Local 101 (CEO)
 - (7) International Brotherhood of Electrical Workers, Local No. 332 (IBEW)
 - (8) Municipal Employees' Federation, AFSCME Local 101 (MEF)
 - (9) International Union of Operating Engineers, Local No. 3 (OE#3); and
- (b) Approve modifications to the retiree healthcare funding phase-in for Executive Management and Professional Employees (Unit 99) effective June 21, 2015, to extend current retiree healthcare contribution rates until December 20, 2015.

OUTCOME

Pending ratification by the bargaining units' membership, adoption of the resolution and authorization to execute the agreements would modify retiree healthcare funding effective June 21, 2015, for employees represented by ABMEI, AEA, ALP, AMSP, CAMP, CEO, IBEW,

May 1, 2015

Subject: Implementation of Changes to Retiree Healthcare Funding for the Bargaining Units Representing Employees in the Federated City Employees' Retirement System and Modifications for Employees in Unit 99
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MEF, and OE#3, by extending the current retiree healthcare contribution rates until December 20, 2015. On December 20, 2015, the City and the Federated bargaining units that ratify their respective agreements would begin to pay the full Annual Required Contribution (ARC).

Adoption of the resolution related to Unit 99 would modify retiree healthcare funding effective June 21, 2015 by extending the current retiree healthcare contributions rates until December 20, 2015. On December 20, 2015, the City and the employees in Unit 99 would begin to pay the full Annual Required Contribution (ARC).

The Federated City Employees' Retirement System Board of Administration will be approving the resolutions for the Fiscal Year 2015-2016 pension and retiree healthcare contributions rates on May 21, 2015. If the current retiree healthcare rates are extended until December 20, 2015, the Board will be approving the new rates near that time.

BACKGROUND

As currently reflected in 1975 Federated Employees' Retirement Plan under San José Municipal Code section 3.28.1980, an eligible retiree receives 100% of the cost of the lowest priced single or family healthcare plan available to active employees. Since the current benefit is tied to the cost of the premium rather than a fixed-dollar amount, the long-term cost of providing this benefit is integrally tied to any increases or decreases in the cost of healthcare plans. The City and employees share the cost of funding the retiree medical benefits on a 1:1 ratio, with retiree dental benefits shared on an 8:3 ratio (Municipal Code Section 3.28.385.)

From the inception of the benefit to 2009, the City and employees in the Federated system had been partially pre-funding the benefit by calculating contribution rates based on 15 year cash-flow projections. In 2009, the City and all employees in the Federated City Employees' Retirement began a phase-in to paying the Annual Required Contribution (ARC). Under these funding provisions, all employees in the Federated System began to phase-in to fully funding the Annual Required Contribution (ARC) by increasing the City and employee contributions by 0.75% per fiscal year. This phase-in initially was to be completed at the end of Fiscal Year 2012-2013. In June 2013, the City and the bargaining units agreed to extend the phase-in of the transition until December 21, 2014. Additionally, the parties agreed to begin placing employee contributions into the 115 Trust as the sole vehicle for retiree healthcare contributions and to exclude new employees from being eligible to receive retiree healthcare benefits after the implementation date of September 27, 2013.

In October 2014, the City Council approved an extension of the Federated retiree healthcare funding agreement .75% phase-in to begin to pay the full Annual Required Contribution (ARC) on June 21, 2015. This extension was provided as a means to continue evaluating and developing the potential options that may be used in the upcoming retiree healthcare negotiations.

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As part of the retiree healthcare funding agreements attached, the parties would begin to pay the full Annual Required Contribution (ARC) on December 20, 2015. In Fiscal Year 2015-2016, the total contribution amount without the cap is 22.08%. The retiree healthcare actuarial valuation also estimates the total unfunded liability for retiree healthcare for the Federated System to be \$465 million. As of June 30, 2014, the current funding ratio of the retiree healthcare plan is 30%. The chart below depicts the current and previous Fiscal Years' unfunded liability and funding ratios based on the actuary's funding valuation results:

Retiree Healthcare	As of June 30, 2013	As of June 30, 2014
Unfunded Liability	\$501 Million	\$465 Million
Funding Ratio	24%	30%

Stakeholder Solutions Working Group and Measure B Settlement Discussions

In order to provide a collaborative setting to discuss the possible options and alternatives for the City and the employees' significant challenges surrounding the retiree healthcare issue, the City and the bargaining units with members in the Federated Plan agreed to continue working on solutions to the retiree healthcare issue through the Retiree Healthcare Stakeholder Solutions Working Group and negotiations. Representatives from both Unit 99 and the retirees' association were also invited to attend the Working Group meetings. The goal of the Working Group is to develop options that lead to long-term solutions to the retiree healthcare issue. The City and the bargaining units agreed upon Tom Morrison of the Segal Company as the Working Group's facilitator and began meeting as a working group on September 12, 2013. Through these Working Group meetings, the parties have identified potential solutions that require additional legal and financial analysis.

Beginning in April 2015, the City and the Federated bargaining units started discussions related to the settlement of the litigation surrounding Measure B. Since these discussions may involve issues that directly impact retiree healthcare, there is interest in continuing to discuss potential retiree healthcare benefit options in this setting, in addition to the retiree healthcare working group.

ANALYSIS

Due to the complexity of the retiree healthcare issue, the significant increase to the retiree healthcare contribution rates facing City and its employees, and the on-going Measure B Settlement Discussions, the City and the bargaining units have agreed to extend the current retiree healthcare rates until December 20, 2015, the first pay period of calendar year 2016. This extension of time will provide additional time for the Working Group to continue evaluating and developing the potential options that may be used in the upcoming retiree healthcare negotiations. The additional time will also allow for the Measure B Settlement Discussions to

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take place with the goal of coming to a global settlement that may include a retiree healthcare element.

Retiree Healthcare Funding

As noted above, the City and employees in the Federated System are scheduled to pay the full Annual Required Contribution for retiree healthcare effective June 21, 2015. In order to provide the City and its employees additional time to discuss possible solutions and cost-saving measures, it is recommended that the current retiree healthcare rates be extended with the full ARC going into effect on December 20, 2015.

Provided that no action is taken, the City and the bargaining units will start contributing based on the contribution rates set for the full ARC on June 21, 2015. The chart below indicates the difference in contribution rates due to an extension of the current City and Federated employee retiree healthcare contribution rates. Though the extension is not a solution, it does help to provide an amount of certainty to employees while the City and the Federated bargaining units continue to engage in the Retiree Healthcare Working Group and Measure B Settlement Discussions. The chart below depicts the difference in the full ARC that would have been contributed in June 2015 and the rate that the City and employees will continue to pay until December 2015. It is important to note that employees in Tier 2B are not eligible for retiree healthcare; however, the City does contribute the City and employee's portion of the unfunded liability that would have otherwise been paid. This contribution rate will also be kept at the current City contribution level of 12.66%, instead of increasing to 16.07% on June 21, 2015.

Retiree Healthcare Rates	Full Annual Required Contribution (ARC) Rates 15-16	Current Tier 1/2A Contribution Rates 14-15	Difference Between Full ARC and Phase-In Rates
Federated City Contribution Rate*	11.61%	9.41%	2.2%
Federated Employee Contribution Rate	10.47%	8.76%	1.71%

* Does not include the discount for pre-paying the ARC, which is applicable to Federated Tier 1 contributions.

EVALUATION AND FOLLOW-UP

The Retiree Healthcare Working Group sessions and Measure B settlement discussions will continue to evaluate the retiree healthcare cost savings options. Any agreement reached with the bargaining units will be brought forward to the City Council for approval.

HONORABLE MAYOR AND CITY COUNCIL

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Subject: Implementation of Changes to Retiree Healthcare Funding for the Bargaining Units Representing Employees in the Federated City Employees' Retirement System and Modifications for Employees in Unit 99
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PUBLIC OUTREACH

This memorandum will be posted on the City's website with the May 12, 2015, Council Agenda.

COST IMPLICATIONS

Based on the current status of negotiations, recommendations to allocate budgetary savings from keeping the retiree healthcare at the current rate until December 20, 2015 will be brought forward as part of the 2015-2016 Mid-Year Budget Review to be allocated to the Retiree Healthcare Solutions Reserve or used to help fund the second half 2.2% ramp up to the full ARC, as appropriate.

COORDINATION

This memorandum was coordinated with the City Attorney's Office and the City Manager's Budget Office.

CEQA

Not a Project, File No. PP 10-069(b), Personnel Related Decisions.



Norberto L. Dueñas
Interim City Manager

For questions please contact Jennifer Schembri, Interim Director of the Office of Employee Relations, at (408) 535-8154.

Attachments

**CITY OF SAN JOSE – ABMEI
TENTATIVE AGREEMENT**

CITY PROPOSAL – RETIREE HEALTHCARE

Proposed Language:

ARTICLE 25 RETIREE HEALTHCARE FUNDING AND BENEFITS

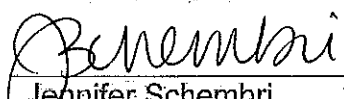
- 25.1 The City and the Employee Organization have agreed to transition from the current partial pre-funding of retiree medical and dental healthcare benefits (referred to as the "policy method") to pre-funding of the full Annual Required Contribution (ARC) for the retiree healthcare plan ("Plan"). The transition began on June 28, 2009. The Plan's initial unfunded retiree healthcare liability shall be fully amortized over a thirty year period so that it shall be paid by June 30, 2039 (closed amortization). Amortization of changes in the unfunded retiree healthcare liability other than the initial retiree healthcare liability (e.g. gains, losses, changes in actuarial assumptions, etc.) shall be determined by the Plan's actuary. The City and Plan members (active employees) shall contribute to funding the ARC in the ratio currently provided under Section 3.28.385 of the San Jose Municipal Code. Specifically, contributions for retiree medical benefits shall be made by the City and members in the ratio of one-to-one. Contributions for retiree dental benefits shall be made by the City and members in the ratio of eight-to-three. When determining the contribution rates for the Plan, the Plan actuary shall continue to use the Entry Age Normal (EAN) actuarial cost method and a discount rate consistent with the pre-funding policy for the Plan as outlined in this Article.
- 25.2 The City and the Employee Organization further agree that the Municipal Code and/or applicable plan documents shall be amended to the extent necessary in accordance with this agreement and that the Employee Organization will support such amendments.
- 25.3 It is understood that in reaching this agreement, the parties have been informed by cost estimates prepared by the Federated City Employees' Retirement System Board's actuary and that the actual contribution rates to reach full pre-funding of retiree healthcare will differ. The phase-in to the ARC shall be effective on the first pay period of the City's fiscal year in each succeeding year, the first increment which was effective on June 28, 2009. It is understood that because of changes resulting from future actuarial valuations, the amount of the ARC may vary upward or downward. The City and Employee Organization agree that the Plan member cash contribution rate shall not have an incremental increase of more than .75% of pensionable pay in each fiscal year and the City cash contribution rate shall not have an incremental increase of more than .75% of pensionable pay in each fiscal year. For example, if the members' contribution rate is 4% of pensionable pay, the subsequent fiscal year's contribution rate for retiree healthcare cannot exceed 4.75% of pensionable pay. retiree healthcare contribution rates as of June 20, 2015 will remain in effect until December 19, 2015. Notwithstanding the limitations on the incremental increases, ~~the~~ The City and

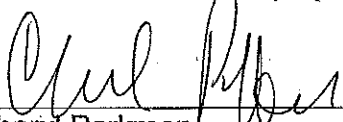
**CITY OF SAN JOSE – ABMEI
TENTATIVE AGREEMENT**

plan members shall be contributing the contribution rate based upon the full Annual Required Contribution, beginning on ~~June 21, 2015~~ December 20, 2015. In subsequent fiscal years, the City and the plan members shall be contributing the full Annual Required Contribution in the ratio currently provided under Section 3.28.385 of the San Jose Municipal Code.


This agreement is considered tentative and shall not be considered final or binding until ratified by the membership and approved by the City Council. This document sets forth the full agreements of the parties reached during these negotiations. Anything not included in this document is not part of the Tentative Agreement. The provisions set forth above shall be incorporated in any successor Memorandum of Agreement.

FOR THE CITY:

 5/1/15
Jennifer Schembri Date
Interim Director of Employee Relations

 7/15/15
Cheryl Parkman Date
Executive Analyst
Office of Employee Relations

FOR THE UNION:

 5/1/15
Peter Fenérin Date
President
ABMEI

CITY PROPOSAL – RETIREE HEALTHCARE

Proposed Language:

ARTICLE 12 RETIREE HEALTHCARE FUNDING AND BENEFITS

- 12.1 The City and the Employee Organization have agreed to transition from the current partial pre-funding of retiree medical and dental healthcare benefits (referred to as the "policy method") to pre-funding of the full Annual Required Contribution (ARC) for the retiree healthcare plan ("Plan"). The transition began on June 28, 2009. The Plan's initial unfunded retiree healthcare liability shall be fully amortized over a thirty year period so that it shall be paid by June 30, 2039 (closed amortization). Amortization of changes in the unfunded retiree healthcare liability other than the initial retiree healthcare liability (e.g. gains, losses, changes in actuarial assumptions, etc.) shall be determined by the Plan's actuary. The City and Plan members (active employees) shall contribute to funding the ARC in the ratio currently provided under Section 3.28.385 of the San Jose Municipal Code. Specifically, contributions for retiree medical benefits shall be made by the City and members in the ratio of one-to-one. Contributions for retiree dental benefits shall be made by the City and members in the ratio of eight-to-three. When determining the contribution rates for the Plan, the Plan actuary shall continue to use the Entry Age Normal (EAN) actuarial cost method and a discount rate consistent with the pre-funding policy for the Plan as outlined in this Article.
- 12.2 The City and the Employee Organization further agree that the Municipal Code and/or applicable plan documents shall be amended to the extent necessary in accordance with this agreement and that the Employee Organization will support such amendments.
- 12.3 It is understood that in reaching this agreement, the parties have been informed by cost estimates prepared by the Federated City Employees' Retirement System Board's actuary and that the actual contribution rates to reach full pre-funding of retiree healthcare will differ. The phase-in to the ARC shall be effective on the first pay period of the City's fiscal year in each succeeding year, the first increment which was on June 28, 2009. It is understood that because of changes resulting from future actuarial valuations, the amount of the ARC may vary upward or downward. The City and Employee Organization agree that the Plan member cash contribution rate shall not have an incremental increase of more than .75% of pensionable pay in each fiscal year and the City cash contribution rate shall not have an incremental increase of more than .75% of pensionable pay in each fiscal year. For example, if the members' contribution rate is 4% of pensionable pay, the subsequent fiscal year's contribution rate for retiree healthcare cannot exceed 4.75% of pensionable pay. retiree healthcare contribution rates as of June 20, 2015 will remain in effect until December 19, 2015. Notwithstanding the limitations on the

**CITY OF SAN JOSE – AEA (Unit 41/42 and Unit 43), IFPTE LOCAL 21
TENTATIVE AGREEMENT**

incremental increases, ~~t~~The City and plan members shall be contributing the contribution rate based upon the full Annual Required Contribution, beginning on ~~June 21, 2015~~ December 20, 2015. In subsequent fiscal years, the City and the plan members shall be contributing the full Annual Required Contribution in the ratio currently provided under Section 3.28.385 of the San Jose Municipal Code.

This agreement is considered tentative and shall not be considered final or binding until ratified by the membership and approved by the City Council. This document sets forth the full agreements of the parties reached during these negotiations. Anything not included in this document is not part of the Tentative Agreement. The provisions set forth above shall be incorporated in any successor Memorandum of Agreement.

FOR THE CITY:

Jennifer Schembri 5/1/15
Date
Jennifer Schembri
Interim Director of Employee Relations

Cheryl Parkman 5/1/15
Date
Cheryl Parkman
Executive Analyst
Office of Employee Relations

FOR THE UNION:

John Mukhar 4/29/2015
Date
John Mukhar
President
AEA, IFPTE Local 21

Lamoin Werlein-Jaen 4/29/15
Date
Lamoin Werlein-Jaen
Senior Staff
IFPTE, Local 101

**CITY OF SAN JOSE – ALP
TENTATIVE AGREEMENT**

CITY PROPOSAL – RETIREE HEALTHCARE

Proposed Language:

ARTICLE 15 RETIREE HEALTHCARE

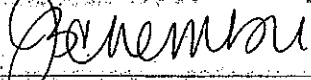
- 15.1 The City and Association agree that they must address a number of issues regarding the retiree healthcare benefit. For this reason, the retiree healthcare benefit is subject to the reopener in Subsection 4.1.3 of this Agreement, and the parties intend to continue negotiating and working together to address these issues. This provision reflects the current status of the retiree healthcare benefit pending an interim and/or long term resolution of the issues.
- 15.2 Eligibility for the retiree healthcare benefit is determined in accordance with the San Jose Municipal Code.
- 15.3 On April 21, 2009, the City started implementing a plan to transition to full pre-funding of the retiree healthcare benefit for unrepresented Executive Management employees (Unit 99). At the time, all of the member classifications currently in ALP were unrepresented and in Unit 99. ALP was formed as a bargaining unit after the City's imposition of the full pre-funding plan. The full pre-funding plan that the City currently is implementing is set forth in Resolution No. 74882, entitled "A Resolution of the Council of the City of San Jose Approving Agreements Between the City of San Jose and Several Bargaining Units Regarding Retiree Healthcare Funding, and Implementing Retiree Healthcare Funding for Units 99 and 82," and the April 7, 2009, Memorandum to the Mayor and City Council attached as Attachment A thereto.
- 15.4 The City and employees represented by the Association began to transition from the current partial pre-funding of retiree medical and dental healthcare benefits (referred to as the "policy method") to pre-funding of the full Annual Required Contribution (ARC) for the retiree healthcare plan ("Plan"). The transition began on June 28, 2009. The Plan's initial unfunded retiree healthcare liability shall be fully amortized over a thirty year period so that it shall be paid by June 30, 2039 (closed amortization). Amortization of changes in the unfunded retiree healthcare liability other than the initial retiree healthcare liability (e.g. gains, losses, changes in actuarial assumptions, etc.) shall be determined by the Plan's actuary. The City and Plan members (active employees) shall contribute to funding the ARC in the ratio currently provided under Section 3.28.385 of the San Jose Municipal Code. Specifically, contributions for retiree medical benefits shall be made by the City and members in the ratio of one-to-one. Contributions for retiree dental benefits shall be made by the City and members in the ratio of eight-to-three. When determining the contribution rates for the Plan, the Plan actuary shall continue to use the Entry Age Normal (EAN) actuarial cost method and a discount rate consistent with the pre-funding policy for the Plan as outlined in this section.

**CITY OF SAN JOSE – ALP
TENTATIVE AGREEMENT**

- 15.5 The City and the Association agree that the Municipal Code and/or applicable plan documents shall be amended to the extent necessary in accordance with this agreement and that the Association will support such amendments.
- 15.6 The phase-in to the ARC shall be effective on the first pay period of the City's fiscal year in each succeeding year, the first increment which was effective on June 28, 2009. It is understood that because of changes resulting from future actuarial valuations, the amount of the ARC may vary upward or downward. The City and the Association agree that the Plan member cash contribution rate shall not have an incremental increase of more than .75% of pensionable pay in each fiscal year and the City cash contribution rate shall not have an incremental increase of more than .75% of pensionable pay in each fiscal year. For example, if the members' contribution rate is 4% of pensionable pay, the subsequent fiscal year's contribution rate for retiree healthcare cannot exceed 4.75% of pensionable pay. retiree healthcare contribution rates as of June 20, 2015 will remain in effect until December 19, 2015. Notwithstanding the limitations on the incremental increases, ~~t~~The City and plan members shall be contributing the contribution rate based upon the full Annual Required Contribution, beginning on June 21, 2015 ~~December 20, 2015~~. In subsequent fiscal years, the City and the plan members shall be contributing the full Annual Required Contribution in the ratio currently provided under Section 3.28.385 of the San Jose Municipal Code.

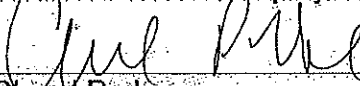
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FOR THE CITY:



Jennifer Schembri
Interim Director of Employee Relations

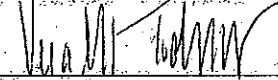
5/1/15
Date



Cheryl Parkman
Executive Analyst
Office of Employee Relations

5/1/15
Date

FOR THE UNION:



Vera Todorov
President
ALP

29 April 2015
Date

CITY PROPOSAL – RETIREE HEALTHCARE

Proposed Language:

ARTICLE 12 RETIREE HEALTHCARE FUNDING AND BENEFITS

- 12.1 Employees may be eligible to receive retiree healthcare benefits, in accordance with the San Jose Municipal Code.
- 12.2 The City and the Employee Organization have agreed to transition from the current partial pre-funding of retiree medical and dental healthcare benefits (referred to as the "policy method") to pre-funding of the full Annual Required Contribution (ARC) for the retiree healthcare plan ("Plan"). The transition began on June 28, 2009. The Plan's initial unfunded retiree healthcare liability shall be fully amortized over a thirty year period so that it shall be paid by June 30, 2039 (closed amortization). Amortization of changes in the unfunded retiree healthcare liability other than the initial retiree healthcare liability (e.g. gains, losses, changes in actuarial assumptions, etc.) shall be determined by the Plan's actuary. The City and Plan members (active employees) shall contribute to funding the ARC in the ratio currently provided under Section 3.28.385 of the San Jose Municipal Code. Specifically, contributions for retiree medical benefits shall be made by the City and members in the ratio of one-to-one. Contributions for retiree dental benefits shall be made by the City and members in the ratio of eight-to-three. When determining the contribution rates for the Plan, the Plan actuary shall continue to use the Entry Age Normal (EAN) actuarial cost method and a discount rate consistent with the pre-funding policy for the Plan as outlined in this section.
- 12.3 The City and the Employee Organization further agree that the Municipal Code and/or applicable plan documents shall be amended to the extent necessary in accordance with this agreement and that the Employee Organization will support such amendments.
- 12.4 It is understood that in reaching this agreement, the parties have been informed by cost estimates prepared by the Federated City Employees' Retirement System Board's actuary and that the actual contribution rates to reach full pre-funding of retiree healthcare will differ. The phase-in to the ARC shall be effective on the first pay period of the City's fiscal year in each succeeding year, the first increment which was effective on June 28, 2009. It is understood that because of changes resulting from future actuarial valuations, the amount of the ARC may vary upward or downward. The City and Employee Organization agree that the Plan member cash contribution rate shall not have an incremental increase of more than .75% of pensionable pay in each fiscal year and the City cash contribution rate shall not have an incremental increase of more than .75% of pensionable pay in each fiscal year. For example, if the members' contribution rate is 4% of pensionable pay, the subsequent fiscal year's contribution rate for

**CITY OF SAN JOSE – AMSP, IFPTE LOCAL 21
TENTATIVE AGREEMENT**

~~retiree healthcare cannot exceed 4.75% of pensionable pay; retiree healthcare contribution rates as of June 20, 2015 will remain in effect until December 19, 2015. Notwithstanding the limitations on the incremental increases, t~~The City and plan members shall be contributing the contribution rate based upon the full Annual Required Contribution, beginning on ~~June 21, 2015~~ December 20, 2015. In subsequent fiscal years, the City and the Plan members shall be contributing the full Annual Required Contribution in the ratio currently provided under Section 3.28.385 of the San Jose Municipal Code.

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FOR THE CITY:

Jennifer Schembri 5/1/15
Date
Jennifer Schembri
Interim Director of Employee Relations

Cheryl Parkman 5/1/15
Date
Cheryl Parkman
Executive Analyst
Office of Employee Relations

FOR THE UNION:

Steve Contreras 4-30-15
Date
Steve Contreras
President
AMSP, IFPTE Local 21

Lamoin Werlein-Jaen 4/30/15
Date
Lamoin Werlein-Jaen
Senior Staff
IFPTE, Local 21

**CITY OF SAN JOSE – CAMP, IFPTE LOCAL 21
TENTATIVE AGREEMENT**

CITY PROPOSAL – RETIREE HEALTHCARE

Proposed Language:

ARTICLE 12 RETIREE HEALTHCARE FUNDING AND BENEFITS

- 12.1 The City and the Employee Organization have agreed to transition from the current partial pre-funding of retiree medical and dental healthcare benefits (referred to as the "policy method") to pre-funding of the full Annual Required Contribution (ARC) for the retiree healthcare plan ("Plan"). The transition began on June 28, 2009. The Plan's initial unfunded retiree healthcare liability shall be fully amortized over a thirty year period so that it shall be paid by June 30, 2039 (closed amortization). Amortization of changes in the unfunded retiree healthcare liability other than the initial retiree healthcare liability (e.g. gains, losses, changes in actuarial assumptions, etc.) shall be determined by the Plan's actuary. The City and Plan members (active employees) shall contribute to funding the ARC in the ratio currently provided under Section 3.28.385 of the San Jose Municipal Code. Specifically, contributions for retiree medical benefits shall be made by the City and members in the ratio of one-to-one. Contributions for retiree dental benefits shall be made by the City and members in the ratio of eight-to-three. When determining the contribution rates for the Plan, the Plan actuary shall continue to use the Entry Age Normal (EAN) actuarial cost method and a discount rate consistent with the pre-funding policy for the Plan as outlined in this section.
- 12.2 The City and the Employee Organization further agree that the Municipal Code and/or applicable plan documents shall be amended to the extent necessary in accordance with this agreement and that the Employee Organization will support such amendments.
- 12.3 It is understood that in reaching this agreement, the parties have been informed by cost estimates prepared by the Federated City Employees' Retirement System Board's actuary and that the actual contribution rates to reach full pre-funding of retiree healthcare will differ. The phase-in to the ARC shall be effective on the first pay period of the City's fiscal year in each succeeding year, the first increment which was effective on June 28, 2009. It is understood that because of changes resulting from future actuarial valuations, the amount of the ARC may vary upward or downward. The City and Employee Organization agree that the Plan member cash contribution rate shall not have an incremental increase of more than .75% of pensionable pay in each fiscal year and the City cash contribution rate shall not have an incremental increase of more than .75% of pensionable pay in each fiscal year. For example, if the members' contribution rate is 4% of pensionable pay, the subsequent fiscal year's contribution rate for retiree healthcare cannot exceed 4.75% of pensionable pay. retiree healthcare contribution rates as of June 20, 2015 will remain in effect until December 19, 2015. Notwithstanding the limitations on the incremental increases, the City

**CITY OF SAN JOSE – CAMP, IFPTE LOCAL 21
TENTATIVE AGREEMENT**

and plan members shall be contributing the contribution rate based upon the full Annual Required Contribution, beginning on ~~June 21, 2015~~ December 20, 2015. In subsequent fiscal years, the City and the plan members shall be contributing the full Annual Required Contribution in the ratio currently provided under Section 3.28.385 of the San Jose Municipal Code.

This agreement is considered tentative and shall not be considered final or binding until ratified by the membership and approved by the City Council. This document sets forth the full agreements of the parties reached during these negotiations. Anything not included in this document is not part of the Tentative Agreement. The provisions set forth above shall be incorporated in any successor Memorandum of Agreement.

FOR THE CITY:

Jennifer Schembri 5/1/15
Date
Jennifer Schembri
Interim Director of Employee Relations

Cheryl Parkman 5/1/15
Date
Cheryl Parkman
Executive Analyst
Office of Employee Relations

FOR THE UNION:

Kara Capaldo 4-30-15
Date
Kara Capaldo
President
CAMP, IFPTE Local 21

Lamoin Werlein-Jaen 5/1/15
Date
Lamoin Werlein-Jaen
Senior Staff
IFPTE, Local 21

**CITY OF SAN JOSE – CEO, AFSCME LOCAL 101
TENTATIVE AGREEMENT**

CITY PROPOSAL – RETIREE HEALTHCARE

Proposed Language:

ARTICLE 26 RETIREE HEALTHCARE FUNDING AND BENEFITS

- 26.1 The City and the Employee Organization have agreed to transition from the current partial pre-funding of retiree medical and dental healthcare benefits (referred to as the "policy method") to pre-funding of the full Annual Required Contribution (ARC) for the retiree healthcare plan ("Plan"). The transition began on June 28, 2009. The Plan's initial unfunded retiree healthcare liability shall be fully amortized over a thirty year period so that it shall be paid by June 30, 2039 (closed amortization). Amortization of changes in the unfunded retiree healthcare liability other than the initial retiree healthcare liability (e.g. gains, losses, changes in actuarial assumptions, etc.) shall be determined by the Plan's actuary. The City and Plan members (active employees) shall contribute to funding the ARC in the ratio currently provided under Section 3.28.385 of the San Jose Municipal Code. Specifically, contributions for retiree medical benefits shall be made by the City and members in the ratio of one-to-one. Contributions for retiree dental benefits shall be made by the City and members in the ratio of eight-to-three. When determining the contribution rates for the Plan, the Plan actuary shall continue to use the Entry Age Normal (EAN) actuarial cost method and a discount rate consistent with the pre-funding policy for the Plan as outlined in this Article.
- 26.2 The City and the Employee Organization further agree that the Municipal Code and/or applicable plan documents shall be amended to the extent necessary in accordance with this agreement and that the Employee Organization will support such amendments.
- 26.3 It is understood that in reaching this agreement, the parties have been informed by cost estimates prepared by the Federated City Employees' Retirement System Board's actuary and that the actual contribution rates to reach full pre-funding of retiree healthcare will differ. The phase-in to the ARC shall be effective on the first pay period of the City's fiscal year in each succeeding year, the first increment which was effective on June 28, 2009. It is understood that because of changes resulting from future actuarial valuations, the amount of the ARC may vary upward or downward. The City and Employee Organization agree that the Plan member cash contribution rate shall not have an incremental increase of more than .75% of pensionable pay in each fiscal year and the City cash contribution rate shall not have an incremental increase of more than .75% of pensionable pay in each fiscal year. For example, if the members' contribution rate is 4% of pensionable pay, the subsequent fiscal year's contribution rate for retiree healthcare cannot exceed 4.75% of pensionable pay. retiree healthcare contribution rates as of June 20, 2015 will remain in effect until December 19, 2015. Notwithstanding the limitations on the incremental

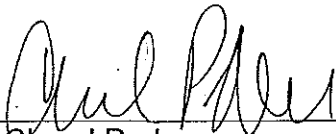
**CITY OF SAN JOSE – CEO, AFSCME LOCAL 101
TENTATIVE AGREEMENT**

increases, ~~the~~ The City and plan members shall be contributing the contribution rate based upon the full Annual Required Contribution, beginning on ~~June 21, 2015~~ December 20, 2015. In subsequent fiscal years, the City and the plan members shall be contributing the full Annual Required Contribution in the ratio currently provided under Section 3.28.385 of the San Jose Municipal Code.

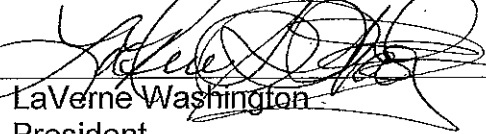
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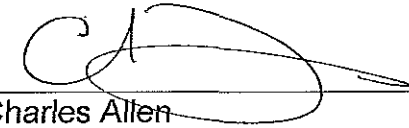
FOR THE CITY:

 5/11/15
Date
Jennifer Schembri
Interim Director of Employee Relations

 5/11/15
Date
Cheryl Parkman
Executive Analyst
Office of Employee Relations

FOR THE UNION:

 4/30/15
Date
LaVerne Washington
President
CEO, AFSCME Local 101

 4-30-15
Date
Charles Allen
Business Agent
AFSCME, Local 101

**CITY OF SAN JOSE – IBEW
TENTATIVE AGREEMENT**

CITY PROPOSAL – RETIREE HEALTHCARE

Proposed Language:

ARTICLE 25 RETIREE HEALTHCARE FUNDING AND BENEFITS

- 25.1 The City and the Union have agreed to transition from the current partial pre-funding of retiree medical and dental healthcare benefits (referred to as the "policy method") to pre-funding of the full Annual Required Contribution (ARC) for the retiree healthcare plan ("Plan"). The transition began on June 28, 2009. The Plan's initial unfunded retiree healthcare liability shall be fully amortized over a thirty year period so that it shall be paid by June 30, 2039 (closed amortization). Amortization of changes in the unfunded retiree healthcare liability other than the initial retiree healthcare liability (e.g. gains, losses, changes in actuarial assumptions, etc.) shall be determined by the Plan's actuary. The City and Plan members (active employees) shall contribute to funding the ARC in the ratio currently provided under Section 3.28.385 of the San Jose Municipal Code. Specifically, contributions for retiree medical benefits shall be made by the City and members in the ratio of one-to-one. Contributions for retiree dental benefits shall be made by the City and members in the ratio of eight-to-three. When determining the contribution rates for the Plan, the Plan actuary shall continue to use the Entry Age Normal (EAN) actuarial cost method and a discount rate consistent with the pre-funding policy for the Plan as outlined in this Article.
- 25.2 The City and the Union further agree that the Municipal Code and/or applicable plan documents shall be amended to the extent necessary in accordance with this agreement and that the Union will support such amendments.
- 25.3 It is understood that in reaching this agreement, the parties have been informed by cost estimates prepared by the Federated City Employees' Retirement System Board's actuary and that the actual contribution rates to reach full pre-funding of retiree healthcare will differ. The phase-in to the ARC shall be effective on the first pay period of the City's fiscal year in each succeeding year, the first increment which was effective on June 28, 2009. It is understood that because of changes resulting from future actuarial valuations, the amount of the ARC may vary upward or downward. The City and Employee Organization agree that the Plan member cash contribution rate shall not have an incremental increase of more than .75% of pensionable pay in each fiscal year and the City cash contribution rate shall not have an incremental increase of more than .75% of pensionable pay in each fiscal year. For example, if the members' contribution rate is 4% of pensionable pay, the subsequent fiscal year's contribution rate for retiree healthcare cannot exceed 4.75% of pensionable pay. retiree healthcare contribution rates as of June 20, 2015 will remain in effect until December 19, 2015. Notwithstanding the limitations on the incremental increases, ~~the~~ The City and plan members shall be contributing the

**CITY OF SAN JOSE – IBEW
TENTATIVE AGREEMENT**

contribution rate based upon the full Annual Required Contribution, beginning on ~~June 21, 2015~~ December 20, 2015. In subsequent fiscal years, the City and the plan members shall be contributing the full Annual Required Contribution in the ratio currently provided under Section 3.28.385 of the San Jose Municipal Code.

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FOR THE CITY:

Jennifer Schembri 5/1/15
Date
Jennifer Schembri
Interim Director of Employee Relations

Cheryl Parkman 5/1/15
Date
Cheryl Parkman
Executive Analyst
Office of Employee Relations

FOR THE UNION:

Frank Crusco 4-29-2015
Date
Frank Crusco
Chief Steward
IBEW, Local 332

Sal Ventura 4/27/15
Date
Sal Ventura
Business Representative
IBEW, Local 332

**CITY OF SAN JOSE – MEF, AFSCME LOCAL 101
TENTATIVE AGREEMENT**

CITY PROPOSAL – RETIREE HEALTHCARE

Proposed Language:

ARTICLE 15 RETIREE HEALTHCARE FUNDING AND BENEFITS

- 15.1 The City and the Employee Organization have agreed to transition from the current partial pre-funding of retiree medical and dental healthcare benefits (referred to as the "policy method") to pre-funding of the full Annual Required Contribution (ARC) for the retiree healthcare plan ("Plan"). The transition began on June 28, 2009. The Plan's initial unfunded retiree healthcare liability shall be fully amortized over a thirty year period so that it shall be paid by June 30, 2039 (closed amortization). Amortization of changes in the unfunded retiree healthcare liability other than the initial retiree healthcare liability (e.g. gains, losses, changes in actuarial assumptions, etc.) shall be determined by the Plan's actuary. The City and Plan members (active employees) shall contribute to funding the ARC in the ratio currently provided under Section 3.28.385) of the San Jose Municipal Code. Specifically, contributions for retiree medical benefits shall be made by the City and members in the ratio of one-to-one. Contributions for retiree dental benefits shall be made by the City and members in the ratio of eight-to-three. When determining the contribution rates for the Plan, the Plan actuary shall continue to use the Entry Age Normal (EAN) actuarial cost method and a discount rate consistent with the pre-funding policy for the Plan as outlined in this Article.
- 15.2 The City and the Employee Organization further agree that the Municipal Code and/or applicable plan documents shall be amended to the extent necessary in accordance with this agreement and that the Employee Organization will support such amendments.
- 15.3 It is understood that in reaching this agreement, the parties have been informed by cost estimates prepared by the Federated City Employees' Retirement System Board's actuary and that the actual contribution rates to reach full pre-funding of retiree healthcare will differ. The phase-in to the ARC shall be effective on the first pay period of the City's fiscal year in each succeeding year, the first increment which was effective on June 28, 2009. It is understood that because of changes resulting from future actuarial valuations, the amount of the ARC may vary upward or downward. The City and Employee Organization agree that the Plan member cash contribution rate shall not have an incremental increase of more than .75% of pensionable pay in each fiscal year and the City cash contribution rate shall not have an incremental increase of more than .75% of pensionable pay in each fiscal year. For example, if the members' contribution rate is 4% of pensionable pay, the subsequent fiscal year's contribution rate for retiree healthcare cannot exceed 4.75% of pensionable pay. retiree healthcare contribution rates as of June 20, 2015 will remain in effect until December 19, 2015. Notwithstanding the limitations on the incremental increases, ~~t~~The City and


**CITY OF SAN JOSE – MEF, AFSCME LOCAL 101
TENTATIVE AGREEMENT**

plan members shall be contributing the contribution rate based upon the full Annual Required Contribution, beginning on ~~June 21, 2015~~ December 20, 2015. In subsequent fiscal years, the City and the plan members shall be contributing the full Annual Required Contribution in the ratio currently provided under Section 3.28.385 of the San Jose Municipal Code.

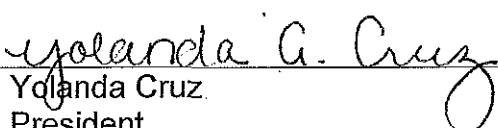
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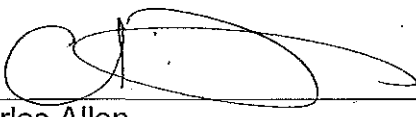
FOR THE CITY:

 5/1/15
Jennifer Schembri Date
Interim Director of Employee Relations

 5/1/15
Cheryl Parkman Date
Executive Analyst
Office of Employee Relations

FOR THE UNION:

 4/30/15
Yolanda Cruz Date
President
MEF, AFSCME Local 101

 4-30-15
Charles Allen Date
Business Agent
AFSCME, Local 101

CITY PROPOSAL – RETIREE HEALTHCARE

Proposed Language:

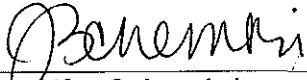
ARTICLE 27 RETIREE HEALTHCARE FUNDING AND BENEFITS

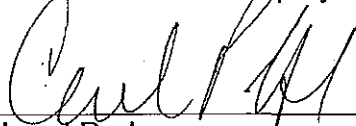
- 27.1 Effective June 28, 2009, the City and the Union have agreed to transition from the current partial pre-funding of retiree medical and dental healthcare benefits (referred to as the "policy method") to pre-funding of the full Annual Required Contribution (ARC) for the retiree healthcare plan ("Plan"). The transition began on June 28, 2009. The Plan's initial unfunded retiree healthcare liability shall be fully amortized over a thirty year period so that it shall be paid by June 30, 2039 (closed amortization). Amortization of changes in the unfunded retiree healthcare liability other than the initial retiree healthcare liability (e.g. gains, losses, changes in actuarial assumptions, etc.) shall be determined by the Plan's actuary. The City and Plan members (active employees) shall contribute to funding the ARC in the ratio currently provided under Section 3.28.385) of the San Jose Municipal Code. Specifically, contributions for retiree medical benefits shall be made by the City and members in the ratio of one-to-one. Contributions for retiree dental benefits shall be made by the City and members in the ratio of eight-to-three. When determining the contribution rates for the Plan, the Plan actuary shall continue to use the Entry Age Normal (EAN) actuarial cost method and a discount rate consistent with the pre-funding policy for the Plan as outlined in this Article.
- 27.2 The Municipal Code and/or applicable plan documents shall be amended to the extent necessary in accordance with this agreement.
- 27.3 The phase-in to the ARC shall be effective on the first pay period of the City's fiscal year in each succeeding year, the first increment which was effective on June 28, 2009. It is understood that because of changes resulting from future actuarial valuations, the amount of the ARC may vary upward or downward. ~~The Plan member cash contribution rate shall not have an incremental increase of more than .75% of pensionable pay in each fiscal year and the City cash contribution rate shall not have an incremental increase of more than .75% of pensionable pay in each fiscal year. For example, if the members' contribution rate is 4% of pensionable pay, the subsequent fiscal year's contribution rate for retiree healthcare cannot exceed 4.75% of pensionable pay.~~ The City and Employee Organization agree that the retiree healthcare contribution rates as of June 20, 2015 will remain in effect until December 19, 2015. Notwithstanding the limitations on the incremental increases, the City and plan members shall be contributing the contribution rate based upon the full Annual Required Contribution, beginning on June 21, 2015 December 20, 2015. In subsequent fiscal years, the City and the plan members shall be contributing the full Annual Required Contribution in the ratio currently provided under Section 3.28.385 of the San Jose Municipal Code.

**CITY OF SAN JOSE – OE#3
TENTATIVE AGREEMENT**

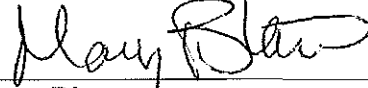
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FOR THE CITY:

 5/1/15
Jennifer Schembri Date
Interim Director of Employee Relations

 5/1/2015
Cheryl Parkman Date
Executive Analyst
Office of Employee Relations

FOR THE UNION:

 4/30/15
Mary Blanco Date
Business Representative
Operating Engineers, Local 3